Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Voluntary Report - public distribution

Date: 12/27/2002

GAIN Report #DR2035

Dominican Republic

Grain and Feed

Dominican Rice Exports

2002

Approved by:
David G. Salmon
U.S. Embassy, Santo Domingo
Prepared by:
Carlos G. Suarez

Report Highlights:
Local rice production exceeded demand in calendar 2002, resulting in excessive government stocks that are expensive to maintain. As a result, the Dominican Government has announced an export shipment of 20,000 MT of milled rice to Venezuela, at a subsidized price, in order to dispose of some excess stocks.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Santo Domingo [DR1], DR

After being advertized for several weeks in the press, the Dominican Government began rice exports to Venezuela last week. On 12/15/2002, an initial 200 MT of Dominican rice (out of a total of 20,000 MT) was shipped to the Venezuelan Secretary of Agriculture on a Venezuelan army plane. According to the local press, the agreed sale price was US$238 per metric ton (MT), well below local and international price levels. Although other press articles indicated the availability of over 100,000 MT for export, only 20,000 MT are part of this sale. Assuming these numbers are correct, the total sale value is slightly below US$5 million, with a similar value in direct export subsidy.

The rice supply and demand situation in the Dominican Republic has become increasingly complex this year, due to high domestic support prices and other indirect supports, which have led to production levels that exceed domestic demand. This has resulted in large surpluses, which are extremely expensive for the Government to maintain. Up until now this had been an internal problem, however, recently, the Dominican government announced plans to export these surpluses at subsidized prices. The main export destination mentioned has been Venezuela.

Until the past two years, rice production had been relatively stable, meeting approximately 75 to 80 percent of the total demand of a little over 300,000 MT. U.S. rice was imported to meet the difference, with import levels ranging from 30-70,000 MT per year, during the past ten years. As recently as calendar 2000, 35,000 tons of U.S. rice was imported, but no imports were allowed in 2002, as domestic production moved higher and Government stocks grew to problematic levels. Higher producer prices and subsidized loans to rice producers have led to sharply increased production levels in 2001 and 2002. Production in 2002 is estimated at 318 MT, up from 280 MT in 2001 and well above the average production level of 245,000 MT from 1997 to 2000.

Since rice is one of eight commodities formally protected from imports, rice imports require a special import permit only issued when there is a domestic shortfall. Over the past several years, rice producers have been able to convince the Dominican Government to recognize higher and higher production cost levels, which are the basis for setting producer rice prices through negotiations between producer groups and the Ministry of Agriculture. In addition, during calendar 2000 and 2001, the current President (a former Secretary of Agriculture) instructed the Government-owned Agricultural Bank (*Banco Agricola*) to provide additional support to the rice sector in the form of subsidized loans, in an effort to increase rice production and eliminate the need for imports. In effect, the Agricultural Bank provides loans to producers at an interest rate lower than the prevailing bank rate, providing an indirect subsidy to rice production.

Current local retail rice prices range between RD$7-8 per pound (US$0.32-0.36/lb.), depending on quality. Wholesale prices are approximately RD$500-600/CWT (US$23-27/100 lbs.). Using the wholesale price to place a value on Government held stocks, this results in a value of around US$600/MT, almost double the average landed price for U.S. high-quality rice of US$300-325/MT (CIF + 20 percent duty).